

By Telefax

March 3, 2003

1-202-283-8858

Cheryl Chasin

Exempt Organizations

Technical Division

1111 Constitution Ave., NW

Washington, D.C. 20224

RE: Form 990 information and comments sourced from a review of NH charity

Dear Ms. Chasin:

You have been helpful and patient in regard to comments regarding review of the Form 990 and its disclosure elements.

As you know, my comments generate from a relatively exacting review of one reporting entity. The entity is held in the highest esteem. The management and governance are not. You know that 4958 issues are being examined and you suggested the same might ought to occur in any event. I am aware that some review is possible.

As for Form 990 requirements and filings, with an emphasis on improving disclosure to donors, stakeholders, and the public, these are my comments, in no particular order:

- 1) Boards should have to file a statement or resolution indicating Board approval of the 990; and executive directors, and CFO's should be required to do so also (simple signature of a subaltern should not suffice);
- 2) While donors can or should be granted continuing anonymity, Boards and Board activity should not be so privileged – thus, entities (over a certain size) should report Board committees and structures of oversight in attachments or statements to 990s;
- 3) Line item disclosures, like lines 25 through 44 should be accompanied by disclosures in statements to break out specifics. For example, line 32 "legal expenses" should track disclosures made in Part II (or elsewhere) concerning actual legal firm fees – and balances or remainders should be broken out specifically to include settlements, consultants, and so forth; the same for "accounting fees," "occupancy" costs; "travel" "conferences, conventions and meetings" and so forth; entities should disclose the "travel policy" and the "convention" utility or use; the executive director(s)'s travel, benefits, and tuition remission, and fees, etc., should be a separate and detailed item; the value of living expenses and room and board should be disclosed;
- 4) The disclosure of "consultants" (e.g., Pappas Consulting Group) generally should be separate from disclosure of "financial consultants, brokers, placement services, and investment service of any kind" (e.g., Brandes Investments or Strategic Capital Allocation); the former can be the top five or ten with nature and cost of service(s); the latter should include every broker, general partner, financial consultant, brokerage, etc., and should include costs to the entity and costs to the endowment (if any) as distinct items;
- 5) Each 990 reporting year should include an attachment showing the name of the last 10 years' worth of Board Treasurers, entity treasurers, CFO's, and controllers, and assistants and like officers, accompanied by a Board and entity organization chart; each officer in each slot for the

last ten years should have a disclosed period of service and whether the officer/employee is still with the entity (or Board) in any capacity;

6) There should be a separate item with a schedule of the costs of "severance agreements, legal settlements, and the like" with total dollar amounts and ongoing disclosure of obligations;

7) If an entity has "bond obligations" due, these should be specified by date, by issuance, by issuing entity or authority, by obligation (interest payments and total due and maturity date) and the rating, rating agency(ies) and the rating period;

8) There should be an item expressly for "contingent liabilities" and specific description of each, including but not limited to "capital calls" of limited partnerships, or other financial liabilities;

9) In the area of endowment investment the allocation of the endowment should be shown with amounts allocated to each type (e.g., stocks, bonds, cash and equivalents, notes and instruments, limited partnerships and alternative assets including hedge funds, private equities, etc.);

10) Every general partner that an exempt entity relies on for an expression of "value" for the investment of a portion of the endowment should be listed by name and address and amount of valuation and nature of the investment;

11) Every investment in an entity or vehicle or partnership involving an officer, director, employee, or family or affiliate or agent of the entity, should be listed and the stake-hold of the officer, director, employee, etc., should be disclosed with a list of the names of the approving directors and the date of approval;

12) Every compensation consultant (e.g., Littleford & Associates) employed by the entity should be disclosed as a separate item under the header of "compensation consultant" with amount paid, the basis of compensation (percentage, etc.) and the cost to the entity or the Board of the compensation consultancy);

13) Any Board members providing legal or investment opinions or services should be disclosed;

14) All financial statements and all audit reports should be attached as exhibits to the Form 990;

15) All reports of accreditation entities should be attached as necessary;

16) All pecuniary benefits transactions (including investment steerage) should be disclosed in detail;

17) All agreements to pay memberships, tuition, deferred compensation, or any lifetime benefit, or tax obligation, of any kind should be reported and disclosed as to executive directors, key employees, and/or Board members and consultants;

18) Any interest in real estate of any kind, participated in or representing an obligation of the entity, or a liability or asset of the entity, should be fully disclosed;

19) Any matter bearing on the integrity of the organization or entity should be included in disclosure;

20) The duty to emend or amend upon changed circumstance, or discovery, or other means, should be repeated on the form including the way to accomplish amendment, the obligation or duty, and the penalty;

21) The veracity and detail on the 990 is a matter of non-delegable Board and Executive

obligation and responsibility and thus should be so stated – and the duty to approve and sign (see number 1 above) should be instituted;

22) Each entity should report on state reporting requirements; and, should list on space provided on the 990 where the state filing is made; and where in the state the material is available; and, where at the entity information is available for review and inspection.

Alexis H. Johnson